


MINISTRY BUSINESS PLAN



2006/07 to 2008/09

Alberta
Agriculture, Food and
Rural Development



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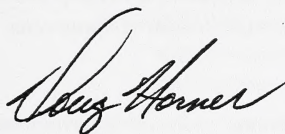
Agriculture, Food and Rural Development

BUSINESS PLAN 2006-09

ACCOUNTABILITY STATEMENT

The business plan for the three years commencing April 1, 2006 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 7, 2006 with material economic or fiscal implications of which I am aware have been considered in preparing the business plan.

The Ministry's priorities outlined in the business plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this business plan.

A handwritten signature in black ink, reading "Doug Horner".

Doug Horner, *Minister of Agriculture, Food and Rural Development*
March 7, 2006

THE MINISTRY

The Ministry of Agriculture, Food and Rural Development (AFRD) consists of the Department of Agriculture, Food and Rural Development and Agriculture Financial Services Corporation (AFSC). The Ministry is also responsible for the Office of the Farmers' Advocate; Irrigation Council; Agricultural Products Marketing Council; and Alberta Grain Commission.

VISION

Growing Alberta farms, processors, and all other agricultural businesses along with vibrant rural communities.

MISSION

To enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities.

CORE BUSINESSES

Core Business 1: Facilitate Sustainable Industry Growth

Core Business 2: Enhance Rural Sustainability

Core Business 3: Strengthen Business Risk Management

LINK TO THE GOVERNMENT OF ALBERTA STRATEGIC BUSINESS PLAN

Agriculture, Food and Rural Development contributes to Goal 1: Alberta will have a diversified and prosperous economy, under the key opportunity of Unleashing Innovation. The Ministry contributes to this goal by facilitating the growth of the agriculture industry through several programs and functions, including implementing the Agriculture Growth Strategy and the Six-point Recovery Strategy. The Ministry also works to secure a stronger future for rural Alberta through implementation of the Rural Development Strategy.

The Ministry contributes to Goal 14: Alberta will have a supportive and sustainable infrastructure that promotes growth and enhances quality of life, under the Capital Plan. This is done by providing cost-shared funding to Alberta's 13 irrigation districts to rehabilitate the districts' water conveyance infrastructure, supporting municipalities to develop water/wastewater infrastructure for agricultural processing and administering funding under the Municipal Industrial Wastewater Infrastructure Program.

The Ministry also contributes to Goal 8: Alberta will have a financially stable, open and accountable government, under the key opportunity of Making Alberta the Best Place to Live, Work and Visit. This contribution is made by servicing the debt incurred by the Agriculture Financial Services Corporation (AFSC) in providing service to its clients.

SIGNIFICANT OPPORTUNITIES AND CHALLENGES

The Ministry will continue to partner with industry and other governments as we support the industry in strengthening its position globally in its recovery from the longer-term impacts of Bovine Spongiform Encephalopathy (BSE) and successive years of drought and ongoing cost competitiveness issues. The erosion of equity resulting from these events increases the need for innovative long-term solutions to mitigate these types of risk. These events, combined with the opportunity to grow the value-added industry, will continue to result in revisions to Ministry programming in 2006 and in future years, ensuring the industry is poised to grow and diversify beyond its pre-BSE strength.

The Agricultural Policy Framework (APF) continues to impact the strategic direction in this plan. The objectives of the five chapters of the APF are linked to the goals in this plan. Negotiation of the next phase of the Framework will require ongoing effort in partnership with industry to allocate resources for the implementation of components of the strategy. Opportunities to appropriately align Alberta's policies and processes with national and international developments and opportunities, such as food policies, environmental goods and services and biowaste management will need to be explored.

Strategies for rural development, growth and research and development are at various stages of implementation. These initiatives will continue to impact the future direction of the Ministry and its programming in 2006 and beyond.

Current conditions in the agriculture and food industry clearly demonstrate the susceptibility to inherent risks such as poor weather, declines in global commodity prices and exchange rates, and changes in the overall economy. While the Ministry's strategic direction is outlined, it is acknowledged that from year to year, changes must be made to accommodate specific developments. Monitoring of world trade issues, including food policy challenges and the associated impacts on legislative and regulatory frameworks will require ongoing management.

The Institute of Food and Agricultural Sciences, Alberta (IFASA) is a collaboration among the Alberta Research Council, the University of Alberta and AFRD. IFASA will enable internationally recognized, multidisciplinary research programs, which have critical mass, to be built, strengthening Alberta's applied research and technology commercialization capacity.

STRATEGIC PRIORITIES 2006-09

Through the Ministry's review of environmental factors, the strategic priorities described below have been identified. These are in addition to the important ongoing core activities of the Ministry.

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|---|--|
| <p>1. The Rural Development Strategy</p> <p>Linkage: Goal 4</p> | <p>The Rural Development Strategy is a cross-government strategy and is being implemented through rural-focused initiatives within each ministry. The Ministry of Agriculture, Food and Rural Development is responsible to coordinate a collaborative, cross-ministry approach that delivers an integrated suite of programs and services to rural Albertans. In addition to implementing their own specific initiatives, the Ministry is also responsible for fostering community engagement and providing opportunities and mechanisms for government to hear and respond to rural based needs, issues and concerns. Funding has been allocated to support community based projects to respond to the recommendations of government's Rural Development Strategy.</p> |
| <p>2. The Agriculture Growth Strategy</p> <p>Linkage: Goals 1 and 4</p> | <p>The industry opportunity to sustainably grow primary agricultural production to \$10 billion and value-added industry to \$20 billion by 2010 will be achieved through the implementation of the growth strategy by industry. The Ministry will continue to work in partnership with industry to clearly articulate outcomes in both qualitative and quantitative terms, including the development of appropriate levels of slaughter capacity, to facilitate achievement.</p> |
| <p>3. The Research and Innovation Strategic Framework</p> <p>Linkage: Goals 1, 2, 3 and 4</p> | <p>Longer-term achievement of the Ministry's vision and mission will be dependent on industry's ability to support strategically targeted research in the agriculture and food industry. The Ministry will focus efforts on the components of the Research Strategy in partnership with industry and Innovation and Science.</p> |
| <p>4. Animal Health and Food Safety Surveillance</p> <p>Linkage: Goals 1 and 2</p> | <p>The Ministry and the province's cattle industry are committed to implementing processes that will help maintain Canada's status as a minimal risk country and promote Alberta's safe food practices as among the best in the world helping to contribute to the growth of the industry.</p> |

- | | |
|---|--|
| <p>5. Business Risk Management</p> <p>Linkage:
Goals 1, 4 and 5</p> | <p>The susceptibility of the agriculture and food industry to inherent risks evidences the need for a continued strategic focus on business risk management. The Ministry will continue to work in partnership with industry and other governments to help business managers make the decision necessary to mitigate the impacts of these risks.</p> |
| <p>6. Six-point Recovery Strategy</p> <p>Linkage:
Goals 1, 2 and 6</p> | <p>The Ministry's Six-point Recovery Strategy will require continued commitment from Ministry officials in assisting the beef industry in its recovery from the impacts of BSE. The six elements of the strategy include addressing slaughter capacity, new product development, set-aside programs, surveillance, the Canadian Agricultural Income Stabilization Program as well as research initiatives.</p> |
| <p>7. Using and Respecting the Land</p> <p>Linkage:
Goals 1 and 3</p> | <p>Agriculture, Food and Rural Development is working with other ministries to develop a land use framework for effective management of competing land use interests to preserve Alberta's high quality of life and continued economic prosperity. The framework will consider the needs, perspectives and issues of all Albertans, including the agricultural industry, working agricultural landscapes and the natural capital value of those landscapes.</p> |
| <p>8. Water for Life: Alberta's Strategy for Sustainability</p> <p>Linkage:
Goals 1, 3, 4, 5 and 6</p> | <p>Water for Life: Alberta's Strategy for Sustainability is a comprehensive, 10-year strategy for water and watershed management in the province. Implementing the Water for Life Strategy is a key strategic priority of the 2006-09 business plan. Agriculture, Food and Rural Development, along with a number of other ministries, is working collaboratively to ensure the outcomes of the strategy – safe, secure drinking water; healthy aquatic ecosystems; and reliable, quality water supplies for a sustainable economy – are achieved.</p> |

CORE BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

Core Business One: Facilitate Sustainable Industry Growth

GOAL ONE

1

Sustainable growth of the agriculture and food industry

What it means This goal recognizes that industry growth is the outcome of long-term profitability arising from a competitive agriculture and food industry focused on consumer-driven market opportunities. The Ministry contributes to this goal by encouraging new and diversified product development and investment (primary and value-added food and non-food products) and facilitating long-term sustainable growth in established sectors.

To achieve this goal, the Ministry will incorporate the objectives of the following initiatives into the appropriate division operating plans:

- Alberta's Agriculture Growth Strategy,
- Securing Tomorrow's Prosperity (A Strategy for Sustaining the Alberta Advantage),
- Alberta's Agriculture Research and Innovation Strategic Framework,
- A Place to Grow – Alberta's Rural Development Strategy, and
- Agricultural Policy Framework.

Strategies

- 1.1 Encourage development of new products, processes and services that respond to new market opportunities and enhance diversity.
- 1.2 Facilitate capital investment in the agriculture and food industry through opportunity identification, evaluation and lending products.
- 1.3 Advocate policies/programs and develop networks that facilitate market access, human resource development, industry competitiveness and add value to primary production.
- 1.4 Develop and administer essential policy, legislation and regulations.
- 1.5 Deliver targeted research, technology, information and services to enhance competitiveness and market access.
- 1.6 Work with partners to ensure that appropriate physical infrastructure is in place.

Performance Measures	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
1.a Number of value added products developed and successfully introduced to market with assistance from AFRD.	55 ¹	75	90	105
1.b Research and development investment by collaborators leveraged through ministry resources.	\$6.7 million	\$8.5 million	\$10 million	\$12 million
1.c Investment supported by AFSC lending services ² .	\$298 million	\$217 million	\$221 million	\$225 million

Notes:

- ¹ The last actual and target numbers for this measure differ from the ones reported in the 2005-2008 Business Plan and the 2004-2005 Annual Report. They have been restated to reflect the intended meaning of this measure, which focuses on development and commercialization of new value-added products.
- ² Total investment in rural business and total amount of farm loans.

GOAL TWO

2

Continued excellence in food safety

What it means This goal recognizes that a reputation for excellence in food safety is essential to maintain consumer confidence and expand markets, both domestic and international.

The Ministry contributes to this goal by promoting or directing implementation of food safety systems in the production of food. This is achieved through essential food safety legislation, regulations, policy and education, and through surveillance systems that support consumer confidence and market access. These initiatives support the development of a national approach to food safety as identified in the Agricultural Policy Framework.

Strategies

- 2.1 Facilitate adoption of internationally accepted food safety systems and standards in production and processing of Alberta food.
- 2.2 Maintain a continually improving surveillance system that validates and identifies opportunities for enhancing the safety of Alberta's agriculture and food products.

- 2.3 Review and administer essential policy, legislation and regulation, and facilitate emergency response.
- 2.4 Develop and transfer knowledge and technology in support of safe food production and processing.
- 2.5 Deliver information, training and other programs that enhance food safety awareness and supports access to domestic and international markets.
- 2.6 Represent the Province's interests in national, provincial and industry food safety and traceability initiatives.

Performance Measures	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
2.a Number of surveillance and monitoring initiatives designed to measure hazards in food production.	17	10	12	12
2.b Percentage of Alberta production produced under on-farm food safety programs ¹ .				
• chicken farms (mandatory)	99.93	98	98	98
• hog farms (voluntary)	95.2	98	98	98
• beef feed lots (voluntary)	4.8	40	50	60
• dairy	8.5	20	30	40
2.c Percentage of Alberta licensed food production facilities that have added a preventative system to their existing food safety system.				
• meat - HACCP ² Pre-requisites (Meat Facility Standards ver. II)	0	5	45	95
• meat - HACCP ² (Alberta HACCP Advantage)	0	1	2	3
• dairy ³	0	100	100	100

Notes:

- ¹ On-Farm Food Safety programs are industry led initiatives designed to provide an optimum level of safety for products produced on farms. These programs undergo national technical review and are implemented by producers with help from their provincial commodity groups. Implementation by producers may be voluntary or mandatory depending on the commodity.
- ² HACCP is an acronym, which means Hazard Analysis Critical Control Point. HACCP is a system, which identifies, evaluates, and controls hazards, which are significant for food safety. Measure has changed to reflect new provincial programs and standards.
- ³ Written and auditable food safety preventative programs will be implemented in a stepwise fashion in Alberta licensed dairy food processing facilities. This approach considers a need to mitigate risk in a voluntary environment and industry's capability to implement. The strategy would see implementation of a recall program in all facilities in 06/07, followed by a comprehensive allergen program in 07/08 and sanitation/pest control in 08/09. These programs are consistent with the Alberta HACCP Advantage.

Core Business Two: Enhance Rural Sustainability

GOAL THREE Improved environmental stewardship

What it means This goal recognizes it is the role of the Ministry to assist the agriculture and food industry to maintain or improve Alberta's air, water and soil for the well being of current and future generations. The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, climate change and biodiversity.

To achieve this goal the Ministry will incorporate the objectives of the Environment Chapter of the Agricultural Policy Framework, Water for Life: Alberta's Strategy for Sustainability, the Agriculture Growth Strategy, the Rural Development Strategy and the agricultural components of the provincial Climate Change Strategy into appropriate division operating plans.

Strategies

- 3.1 Support and conduct applied/adaptive research and evaluations to develop economically sound, environmentally friendly beneficial management practices for relevant areas of crop and livestock production and agricultural processing.
- 3.2 Transfer integrated technology and knowledge to assist the industry in becoming more environmentally sustainable, including provision of support for adoption of environmental farm plans.
- 3.3 In consultation with the industry and other involved ministries, provide guidelines, standards, regulations and legislation for environmental performance requirements to sustain the quality of Alberta's soil, water and air.
- 3.4 Monitor the effect of the agricultural production and processing industry on soil and water quality.

Performance Measures	Last Actual (year)	Target 2006-07	Target 2007-08	Target 2008-09
3.a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices (formal evaluation every three years; next survey to be conducted in 2006/07 and reported in June 2007).	53 (2003-04)	58	58	58
3.b Number of producers provided with specific training and technical support to enable development of environmental farm plans.	1968 (2004-05)	4000 ¹	5000 ¹	6000 ¹

Note:

¹ Targets reflect a cumulative growth of 1000 per year.

GOAL FOUR

4

Strengthened rural communities

What it means

This goal recognizes that sustainable rural communities with increased human and business capacity are components of a prosperous province. The Ministry contributes to this goal by working to strengthen rural communities through facilitating leadership and skill development, business growth and development and community infrastructure.

To achieve this goal, the Ministry will incorporate the priorities of the Rural Development Strategy.

Strategies

- 4.1 Provide leadership and skill development for youth and adults actively engaged in agriculture and community organizations and rural businesses.
- 4.2 Facilitate the development and sustainability of rural communities and organizations to be flexible, adaptable and manage change.
- 4.3 Facilitate the growth and development of sustainable agricultural and rural businesses.
- 4.4 Coordinate a collaborative, cross-ministry approach to the implementation of the Government of Alberta Rural Development Strategy.

Performance Measures	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
4.a Number of rural ¹ businesses assisted by AFSC lending services.	273	210	255	300
4.b Total investment leveraged in rural ¹ businesses facilitated through AFSC lending services ² .	\$169 mil ³	\$80.0 mil	\$82.0 mil	\$84.0 mil
4.c Percentage of ministry supported, agricultural-related community activities that focus on leadership development.	27	29	30	30
4.d Percentage of rural youth and adults participating in Ministry-supported programs that report effective learning from those programs.	91	90	90	90

Notes:

- ¹ Rural means communities outside Edmonton and Calgary.
- ² The figures presented in the targets represent all investment in rural businesses, including AFSC direct assistance, partnership lending (i.e. Farm Credit Corporation), borrower investment and other sources.
- ³ The introduction of two new programs (Beef Product and Market Development Loan Program and the Project Investor Financing Loan Program), enabled AFSC to be involved in a few larger projects, resulting in AFSC exceeding its rural investment target.

Core Business Three: Strengthen Business Risk Management

GOAL FIVE Effective risk management decisions by agricultural business managers

What it means This goal recognizes the business risk associated with production affected by weather extremes, disease epidemics and unforeseen global market influences. Cooperative efforts by service providers will target business management training and information dissemination, allowing managers to adopt the most economical and effective management practices to sustain their business. "Agri-business manager" is an inclusive term indicating the range of industry people, from primary to value added, using risk management tools in decision-making. This goal is manager-driven. The manager makes the decisions, not government on behalf of the manager.

Strategies

- 5.1 Determine risk management information needs of business managers in the primary and value added sectors.
- 5.2 Collect, develop and distribute data and information to support business risk management decisions in the primary and value added sectors.
- 5.3 Facilitate development and use of analytical tools to proactively identify, measure and manage business risk in the primary and value added sectors.
- 5.4 In collaboration with the private sector, provide information and training on business risk management tools and strategies in the primary and value added sectors.

Performance Measure	Last Actual (2002)	Target 2006-07	Target 2007-08	Target 2008-09
5.a Percentage of managers surveyed, indicating the use of risk management tools for improved decision making.	18	35	50	70

GOAL SIX

6

Effective programs for industry competitiveness and growth

What it means This goal recognizes the need for pro-active financial risk management programming and disaster support in the absence of effective private sector tools when natural and market events occur that are beyond agri-business managers' control. Industry stability is desirable from a Ministry perspective as it helps agri-businesses recover from disaster events and facilitates overall industry growth.

The Ministry contributes to this goal by continuously improving appropriate programs such as the Canadian Agricultural Income Stabilization (CAIS) Program, Production Insurance and disaster recovery initiatives.

Strategies

- 6.1 Design and deliver production risk and income stabilization programs through the Agricultural Policy Framework Agreement.
- 6.2 Develop and deliver specific programs that increase industry competitiveness.
- 6.3 Develop programs, where appropriate, that respond to significant events that impact business sustainability.

Performance Measures	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
6.a Percentage of eligible seeded acres for major crop categories insured under Production Insurance.				
• Annual Crops	67	60	62	64
• Perennial Crops	3	25	30	35
6.b Percentage of Alberta farm cash receipts represented by Alberta participants in the CAIS Program	87	88	90	90

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable			2006-07 Estimate	2007-08 Target	2008-09 Target
	2004-05 Actual	2005-06 Budget	2005-06 Forecast			
Facilitate Sustainable Industry Growth	287,616	219,272	250,311	233,517	217,430	221,341
Enhance Rural Sustainability	47,249	57,320	59,676	158,278	58,326	58,343
Strengthen Business Risk Management	997,301	922,997	767,454	749,720	734,837	745,032
MINISTRY EXPENSE	1,332,166	1,199,589	1,077,441	1,141,515	1,010,593	1,024,716

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2006-07 Estimate	2007-08 Target	2008-09 Target
	2004-05 Actual	2005-06 Budget	2005-06 Forecast			
REVENUE						
Internal Government Transfers	16,620	22,220	22,220	22,220	22,220	22,220
Transfers from Government of Canada	506,216	354,630	226,729	303,354	301,857	300,069
Investment Income	80,674	86,434	84,180	85,688	91,486	96,638
Premiums, Fees and Licences	137,254	158,521	143,502	125,046	142,529	149,897
Other Revenue	53,123	10,432	12,029	10,431	10,404	10,427
MINISTRY REVENUE	793,887	632,237	488,660	546,739	568,496	579,251
EXPENSE						
Program						
Farm Income Support	709,516	501,124	459,702	371,428	369,450	369,840
Lending	30,318	33,179	27,463	27,147	27,431	28,896
Insurance	284,382	418,004	303,560	374,282	361,376	371,181
Planning and Competitiveness	11,191	13,254	14,242	13,743	13,743	13,743
Rural Development	30,571	38,480	38,813	138,831	38,831	38,831
Industry Development	132,408	42,592	80,218	44,018	44,078	42,938
Environment and Food Safety	47,510	56,743	61,132	78,325	58,445	58,505
Infrastructure Assistance	23,815	27,000	34,000	29,000	29,000	29,000
Ministry Support Services	13,598	13,507	15,531	14,035	14,055	14,035
Valuation Adjustments and Other Provisions	3,800	2,427	(1,872)	2,359	2,255	2,135
Program Expense	1,287,109	1,146,310	1,032,789	1,093,168	958,664	969,104
Debt Servicing Costs						
Agriculture Financial Services Corporation	45,057	53,279	44,652	48,347	51,929	55,612
MINISTRY EXPENSE	1,332,166	1,199,589	1,077,441	1,141,515	1,010,593	1,024,716
Gain (Loss) on Disposal of Capital Assets	(1,217)	-	-	-	-	-
NET OPERATING RESULT	(539,496)	(567,352)	(588,781)	(594,776)	(442,097)	(445,465)

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable			2006-07 Estimate	2007-08 Target	2008-09 Target
	2004-05 Actual	2005-06 Budget	2005-06 Forecast			
Ministry Revenue	793,887	632,237	488,660	546,739	568,496	579,251
Inter-ministry consolidation adjustments	(17,186)	(22,220)	(22,220)	(22,220)	(22,220)	(22,220)
Consolidated Revenue	776,701	610,017	466,440	524,519	546,276	557,031
Ministry Program Expense	1,287,109	1,146,310	1,032,789	1,093,168	958,664	969,104
Inter-ministry consolidation adjustments	(566)	-	-	-	-	-
Consolidated Program Expense	1,286,543	1,146,310	1,032,789	1,093,168	958,664	969,104
Ministry Debt Servicing Costs	45,057	53,279	44,652	48,347	51,929	55,612
Consolidated Expense	1,331,600	1,199,589	1,077,441	1,141,515	1,010,593	1,024,716
Gain (Loss) on Disposal of Capital Assets	(1,217)	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	(556,116)	(589,572)	(611,001)	(616,996)	(464,317)	(467,685)

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